HCFA MEDICARE • MEDICAID Health Care Financing Administration

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HEALTH watch

Proposed Legislation to Fight Health Care Fraud

A legislative proposal establishing tough requirements for individuals and companies that would like to participate in the Medicare and Medicaid programs was recently sent to Congress by President Clinton. The Medicare/Medicaid Anti-Waste, Fraud, and Abuse Act of 1997 includes a series of changes to provider enrollment rules, stronger sanctions against fraudulent providers, and the elimination of several loopholes.

Highlights of the proposal include:

❒ ***Provider Identification Numbers:*** HHS would require a health care provider applying for participation in the Medicare or Medicaid program to provide their Social Security number and Employer Identification number. These two forms of identification would be used as the applicant's provider identification nul%çr. The provider identification number will allow HCFA to check an applicant's history for fraudulent activity.

❒ ***False Certification:*** Physicians who falsely certify that an individual meets certain Medicare requirements would be subject to civil monetary penalties.

❒ ***Kickbacks:*** Providers that pay kickbacks to encourage referrals would be subject to criminal, civil, and/or administrative penalties.

❒ ***Fraudulent Use of Bankruptcy Protections:*** The President's plan would close a current loophole in the law whereby Medicare and Medicaid providers and suppliers declare bankruptcy in order to avoid paying administrative penalties.

The new legislation builds upon current efforts, both within HHS and the Justice Department, to fight health care fraud. Since FY 1992, the number of health care fraud convictions has increased by 240 percent due to the Justice Department's increased resources, focused investigative strategies, and better coordination among law enforcement agencies.◆

New Practicing Physicians Advisory Council Member Sworn In

The newest member of the Practicing Physicians Advisory Council (PPAC) was sworn in by HHS Secretary Donna E. Shalala during the council's spring meeting in Washington, D.C., on March 24.

The 15-member council, established by Congress in 1990, meets quarterly to advise the Secretary and the HCFA Administrator on Medicare and Medicaid issues of concern to the provider community.

The new appointee is Derrick L. Latos, M.D., from Wheeling, W.Va., who specializes in nephrology and internal medicine. Jerilynn S. Kaibel, D.C., a chiropractor from San Bernardino, Calif., and Maisie Tam, M.D., a dermatologist from Burlington, Mass., were reappointed to the council for another term.

In addition to the Secretary, Administrator Bruce C. Vladeck and Acting Deputy Administrator Sally K. Richardson addressed the council. Agenda items included HCFA's practice expense project, the Health Insurance Portability and Accountability Act of 1996 with special focus on the fraud and abuse provisions

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PPAC members and professional relations staff along with Secretary Donna E. Shalala take a break at the March 24 PPAC meeting.

HEALTH watch

The *HCFA Health Watch* is published monthly, except when two issues are combined, by the Health Care Financing Administration to provide timely information on significant program issues and activities to its external customers.

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Beneficiary Services Honor Awards Ceremony To Be Held Soon

On May 22, 1997, the Fourth Annual Beneficiary Services Honor Awards Ceremony will be held at HCFA Headquarters in Baltimore, Md. During the ceremony, HCFA will recognize individuals, groups, organizations and programs that have played an exceptional role in assuring that beneficiaries have access to high quality health care. HCFA Administrator Bruce C. Vladeck will present a Beneficiary Services Certificate of Merit to each awardee.

Nominations for the Beneficiary Services Honor Award are limited to individuals or groups who are affiliated with the Department of Health and Human Services, a nonprofit organization, a contractor or grantee for HCFA, a Medicaid State agency, or a State or local government.

We will publish the names of the awardees in the July issue of the *Health Watch*. ◆

Message from the Administrator

BRUCE C. VLADECK

IN MARCH PRESIDENT CLINTON announced a new set of legislative proposals to fight health care waste, fraud, and abuse. The Medicare/Medicaid Anti-Waste, Fraud, and Abuse Act of 1997 will further strengthen this Administration's ongoing and unprecedented battle against the individuals and companies that set out to rip off these programs which are so vital to the health of 75 million Americans.

The proposals establish tough new requirements for those seeking to participate in our programs, impose new financial penalties on providers who commit fraud, and close the loopholes that can allow fraud and abuse to occur.

This legislative package will support and strengthen the steps taken to date by this Administration, which declared "zero-tolerance" on health care waste, fraud, and abuse in 1993. Since that time, we have taken steps to prevent problems while exploring — primarily through the Operation Restore Trust demonstration project — the best ways to find and penalize the perpetrators. To date, this Administration's efforts have helped save more than $20 billion in health care claims through policy changes, penalties, recoveries, claims denials, and settlements.

Operation Restore Trust, which was launched two years ago in five States, has been so successful in these endeavors — returning $10 for every $1 invested — that we plan to implement it nationwide. At the end of 1996, the President signed the Kennedy-Kassebaum legislation into law, expanding Operation Restore Trust to every State and providing the necessary funds.

You may recall that the President also introduced anti-fraud proposals in his FY 1998 budget proposal in February. Most of those proposals are carried over from last year as Congress did not act on them. The current package builds on these proposals using lessons distilled from the work done under Operation Restore Trust.

For example, through Operation Restore Trust we identified major problems with equipment suppliers and practitioners that could be minimized by tightening up enrollment requirements to make it much harder for dishonest people to get through the gate. The President's anti-fraud package provides the adjustments needed — from requiring those participating in our programs to provide their Social Security numbers so we can weed out the unqualified to denying participation to providers who have been convicted of a felony.

We have many examples of how these people have operated. In Florida, one man was charged with stealing $120 million from Medicare through fraudulent claims. His network of more than 100 phony companies extended from Miami to Fort Lauderdale. He has been convicted of health care fraud and has been sentenced to nine years in jail — on top of a five-year sentence he was already serving for a parole violation. The President's proposal would make it impossible for a convicted felon like this man to obtain permission to participate in Medicare or Medicaid.

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Walk-In Medicare Service Center Receives Praise

Since its opening in October 1996, HCFA's customer service facility, "Your Medicare Center," has received high ratings for the services provided to Medicare beneficiaries, their families, and the public. "Your Medicare Center," located in Philadelphia's Gallery at Market East Shopping Mall, is the only walk-in center of its kind to offer comprehensive Medicare information and problem-solving services. The Center, open Monday through Saturday, is operated by HCFA's Philadelphia Regional Office.

In its first six months of operation, over 1,200 individuals visited the Center to discuss topics such as managed care options, coverage, claims, eligibility, and forms. Of these visitors, about 99 percent reported they received the information they were seeking or had their problem resolved during their initial visit. In addition, virtually all of the visitors who responded to a written survey said that they were "very satisfied" with the service provided to them and that they would recommend the Center to a friend or relative.

Reports from the Center indicate that most visitors are currently interested in managed care plan comparison charts because of aggressive marketing by seven Health Maintenance Organizations (HMOs) in the Philadelphia area. Beneficiaries are interested in understanding their Medicare benefits in detail and, as a result, have asked specific questions about Medicare coverage and how enrollment in an HMO will complement such coverage.

HCFA has worked with organizations and companies to broaden the range of services offered at the Center. Educational seminars such as "Medicare 101" and "Medicare 1997" are conducted by Regional Office staff and are offered free of charge. Periodically, health screenings are offered as well. New technologies, such as interactive video, link the Center with the State's pharmacy assistance program, allowing beneficiaries at the Center to talk face-to-face with a State representative and to apply for State pharmacy benefits. Additionally, representatives from the local transit authority provide seniors with identification cards for transit discounts, and the IRS provides electronic filing of Federal and State income tax forms.◆

For more information about the services offered at "Your Medicare Center," call 215/597-0372.

Medicare Managed Care to Offer Comparison Database on the Internet

This summer, beneficiaries and groups who assist them will be able to access a new service on HCFA's Web site: "The Medicare Managed Care Plans Comparison Database." This electronic database on Medicare risk-contract Health Maintenance Organizations (HMOs) will allow individuals with Internet access to compare Medicare managed care plan coverage by using indicators such as: managed care types and models, service areas, benefits, coverage, premiums, copays, restrictions, limitations, and referral options.

Database users will be able to select any number of indicators necessary for their search. Furthermore, users can perform side-by-side comparisons of managed care plans, and can obtain each plan's toll-free number from the database for further information. Other features of the electronic database will include a Help tutorial to guide the user through the application, a list of Medicare managed care questions and answers, a glossary of general managed care terms, and an option for the user to e-mail HCFA any comments or suggestions. The database will be updated quarterly.

In 1998, HCFA will modify the database to include information on quality of care compiled from the Health Employer Data Information Set 3.0 (HEDIS) data and beneficiary satisfaction data from the Consumer Assessments of Health Plans Study (CAHPS) survey.◆

For more information about the database, contact Ana Nunez-Poole, Office of Managed Care (410/786-3370 or e-mail: ***ANunezpoole@hcfa.gov***) or Megan Arts, HCFA On-Line (410/786-7321 or ***MArts@hcfa.gov***).

New MTS Options Announced

HCFA recently announced it will explore new options to develop its Medicare Transaction System (MTS) and will focus its short-term goals on managed care transactions. The MTS will provide a new information platform to pay for health care under the Medicare program, improve customer service, and better deter fraud and abuse.

In his announcement, HCFA Administrator Bruce C. Vladeck said, "While our vision of MTS as the best information technology to take Medicare into the 21st century has not changed in the least, our responsibility for sound management of this important project has caused us to revise our development plans."

HCFA currently has GTE under contract to develop MTS, and has closely monitored its oversight and direction of the contract. As a result of its most recent management review, HCFA decided to redirect GTE's contract activities to focus solely on the development of that part of MTS dealing with managed care plans. While HCFA explores new options for developing MTS, the agency will continue to consolidate its payment systems to a standard system for both hospital and physician bills. This will simplify current operations in preparation for the eventual implementation of the single MTS system.◆

Health Insurance Protections Guaranteed by Interim Regulations

Two new regulations which provide important health insurance protections for millions of workers and their families were recently published in the *Federal Register* as part of the government's implementation of the Health Insurance Portability and Accountability Act of 1996 (HIPAA).

The regulations focus on limiting exclusions for pre-existing medical conditions, prohibiting discrimination against employees and dependents based on their health status, and guaranteeing availability of health insurance to small employers and renewability of insurance to all employers regardless of size.

The first regulation, which will be administered by HCFA in conjunction with the States, details protections in the individual health insurance market for those who lose group coverage or try to get coverage in the individual market. The other regulation, issued jointly by HHS and the Departments of Labor and Treasury, prohibits discrimination in group health insurance based on health status and limits how long coverage and payment limits can be imposed because of a pre-existing condition.

Combined, the two regulations detail how an individual's previous health coverage is counted and documented when changing to a new plan or policy. They guarantee that individuals with an established history of coverage cannot be denied coverage or subjected to a pre-existing medical condition exclusion if they or their dependents have a health problem.◆

For further information on HCFA's role in the HIPAA implementation, visit HCFA's Web site at ***http://www.hcfa.gov***.

Dual-Eligibility Pilot Project in Maine

HCFA recently granted the Maine Medicaid agency limited online access to Medicare beneficiary eligibility data in its Medicare Common Working File. This pilot project allows the Maine Medicaid agency to check online eligibility data of dual eligibles. Dual eligibles are beneficiaries eligible for both Medicare and Medicaid, and they comprise 20 percent of all Medicaid beneficiaries.

Inquiring into online dual-eligibility data resulted in $9 million in avoided costs — costs that are payable by another agency. This represents about one percent of the $921 million Maine paid for medical services in 1996. Maine projects a cost-avoidance savings of $23 million for this fiscal year.

The pilot project has not only saved Maine Medicaid money but has improved the State agency's efficiency. Previously, manual processing of third-party liability required two-and-a-half hours to perform one verification. Now online access enables the liability unit to process 80 verifications in the same amount of time. Also, medical providers waited one-and-a-half months for a response from the liability unit. Now the same response takes two days.

Before granting other States the same online dual-eligibility access that Maine currently enjoys through the pilot project, HCFA must upgrade its computer system to meet simultaneous user demand for online dual-eligibility data in the Common Working File.◆

Maternal AIDS Web Site Unveiled

In an effort to better inform Medicaid-eligible pregnant women and prenatal health care providers about the benefits of HIV counseling, testing, and AZT therapy, HCFA has unveiled an electronic public service announcement (e-psa) that focuses on pregnancy and HIV.

The e-psa, which is part of HCFA's Maternal AIDS Initiative, can be accessed through a banner on HCFA's home page ***http://www.hcfa.gov*** or the URL ***http://hiv.hcfa.gov***. The e-psa Web site was developed to make consumers and providers aware of the need for HIV counseling and testing among women who are thinking about becoming pregnant or who are pregnant. Women testing positive for HIV can pass the virus to their infant. Information on the Web site tells consumers where to go for HIV testing, how to reduce the risk of transmission of HIV to infants, and special coverage offered under the Medicaid program.

The goal of HCFA's Maternal AIDS Initiative, which started in 1994, is to alert Medicaid-eligible, HIV-infected women, pregnant women, and women of child-bearing age to the benefits and implications of AZT therapy, and to assist them, in conjunction with their health care providers, in making an informed decision about undergoing AZT therapy. The initiative, originally piloted in four States, has been recently expanded to include 18 sites (State, cities or counties) and all of HCFA's ten regional offices.◆

For more information on HCFA's Maternal AIDS Initiative, contact: Ava Chung, Boston Deputy Regional Administrator (617/565-1185 or e-mail: ***achung@hcfa.gov***) or Maureen Farley (617/565-1248 or e-mail: ***mfarley@hcfa.gov***).

Medicare and Medicaid Demographic Profiles

Recent statistics from HCFA illustrate the growing numbers of Medicare and Medicaid beneficiaries. The following is a demographic profile for each program, based on 1996 statistics:

❒ ***Medicare Enrollees***: There are 15.5 million males and 20.7 million females enrolled in Medicare. The table, "Medicare Enrollees by Race and Gender," shows that women outnumber men in every ethnic group, except American Indian. In addition, there are twice as many women over the age of 85 than men — 2.8 million women compared to 1.1 million men.

Medicare Enrollees by Race and Gender

	Males	Females
Caucasian	13,800,000	18,500,000
African American	1,400,000	1,900,000
Hispanic	215,000	221,000
Asian/Pacific Islander	80,000	103,000
American Indian	19,000	17,000

❒ ***Income Level for Medicare Enrollees***: The median income for all households in 1994 (most recent statistics) was $32,264. For senior citizen households, the median income was $18,095.

❒ ***Medicare Disabled Enrollees***: There are 2.7 million disabled men and 1.8 million disabled women enrolled in Medicare. The majority of disabled enrollees are between the ages of 35 and 54.

❒ ***Medicaid Enrollees***: There are 13.2 million males and 21.2 million female Medicaid beneficiaries. The table, "Medicaid Enrollees by Race," illustrates the racial breakdown of Medicaid enrollees. Of the 36.3 million total enrollees, 18.7 million are age 21 and under, 11.4 million are 21 to 64 years old, and 6.1 million are age 65 and over. Nearly 6 million beneficiaries are dually eligible for both Medicare and Medicaid.

Medicaid Enrollees by Race

	Population
Caucasian	16,500,000
African American	9,000,000
Hispanic	6,200,000
Asian/Pacific Islander	810,000
American Indian	291,000
Unknown	3,500,000

Upcoming Events of May and June

MAY 1 HCFA's *Improving Hospital Discharge Planning Seminar* will be held at the John A. Volpe National Transportation Systems Center in Cambridge, Mass. This seminar is open to the public.

MAY 5 Administrator Bruce C. Vladeck speaks at the Hospital and Healthcare Association of Pennsylvania in Harrisburg, Pa., on *Transitioning to the next stage of integration.*

MAY 7 Acting Deputy Administrator Sally K. Richardson addresses the National Adolescent Reproductive Health Partnership in Washington, D.C.

MAY 8 The Holocaust Memorial Observance will begin at 10:00 a.m. in the HCFA Auditorium in Baltimore, Md. *Hidden Children* is the program theme. The public is invited to the program.

MAY 15 Administrator Vladeck addresses the National Association of Children's Hospitals and Related Institutions in Hutchinson Island, Fla., on *Major issues affecting children's hospitals.*

MAY 19 Administrator Vladeck speaks at the University of Connecticut Health Center in Farmington, Conn., on *What HCFA expects from the health care community in providing care for older Americans.*

MAY 22 HCFA holds its Beneficiary Services Honor Awards Ceremony at HCFA Headquarters in Baltimore, Md.

JUNE 5 Administrator Vladeck speaks at the PHS/HCFA Primary Care Policy Fellowship Day Program in Baltimore, Md., on *An overview of the current initiatives, issues and agenda for HCFA as well as directions for the future.*

JUNE 12 Administrator Vladeck addresses the New York Citizens' Committee on Aging/American Association of Retired Persons (of New York State)/New York Statewide Senior Action Council and NYNEX in Manhattan, N.Y., on *An overview of the issues facing Medicare today and the outlook for its future.*

JUNE 17 Administrator Vladeck speaks at the Prospective Payment Assessment Commission in Washington, D.C., on *Vision for long-term care post-acute care services.*

JUNE 28 Administrator Vladeck speaks at the Medical Administrators Conference in Washington, D.C., on *HCFA programs.*

New Regulations/Notices

Medicare and Medicaid Programs; Salary Equivalency Guidelines for Physical Therapy, Respiratory Therapy, Speech Language Pathology, and Occupational Therapy Services (BPD-808-P) — Published 3/28 This proposed rule sets forth suggested revisions to the salary equivalency guidelines for Medicare payment for the reasonable costs of physical therapy, respiratory therapy, speech language pathology and occupational therapy services furnished under arrangements by an outside contractor. The proposed guidelines do not apply to inpatient hospital and hospice services.

New and Pending Demonstration Project Proposals Submitted Pursuant to Section 1115(a) of the Social Security Act: January 1997 and Supplement to December 1996 Listing (ORD-097-N) — Published 3/31 This notice identifies Section 1115(a) proposals that were submitted or pending during January 1997. No proposals were approved, disapproved, or withdrawn during this time period. It also lists one proposal received in December 1996 that was inadvertently omitted from the December listing. (This notice can be accessed on the Internet at ***http://www.hcfa.gov/ord/ordhp1.html***.)

Individual Market Health Insurance Reform: Portability from Group to Individual Coverage; Federal Rules for Access in the Individual Market; State Alternative Mechanisms to Federal Rules (BPD-882-IFC) — Published 4/8 This interim final rule implements Section 111 of the Health Insurance Portability and Accountability Act of 1996, which sets forth Federal requirements designed to improve access to the individual health insurance market. This rule also sets forth procedures that apply to States that choose to implement a mechanism under State law, as an alternative to the Federal requirements, with respect to guaranteed availability for eligible individuals. It also sets forth the rules that apply if a State does not substantially enforce the statutory requirements.

Interim Rules for Health Insurance Portability for Group Health Plans (BPD-890-IFC) — Published 4/8 This interim rule governs access, portability and renewability requirements for group health plans and issuers of health insurance coverage offered in connection with a group health plan. The rules contained in this document implement changes made to certain provisions of the Internal Revenue Code of 1986 (Code), the Employee Retirement Income Security Act of 1974 (ERISA), and the Public Health Service Act (PHS Act) enacted as part of the Health Insurance Portability and Accountability Act of 1996 (HIPAA).

New PPAC Member Sworn In

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provisions and administrative simplifications, managed care, Medicaid and a legislative update. Over 70 representatives from medical provider and insurance organizations attended the meeting.

The next PPAC meeting is scheduled to be held on Monday, June 16, at HCFA Headquarters in Baltimore, Md.◆

If you have any questions about PPAC, call the staff in the Office of Professional Relations at 202/690-7874.

Message from the Administrator

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The Anti-Waste, Fraud, and Abuse Act of 1997, combined with the FY 1998 budget proposals, is expected to save more than $10 billion over five years and, even more importantly, to protect our beneficiaries from the unscrupulous suppliers and providers who plague their communities.◆

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